

§ 234.5

12 CFR Ch. II (1–1–16 Edition)

- (ii) Product eligibility;
- (iii) Risk management;
- (iv) Settlement failure or default procedures;
- (v) Financial resources;
- (vi) Business continuity and disaster recovery plans;
- (vii) Daily or intraday settlement procedures;
- (viii) The scope of services, including the addition of a new service or discontinuation of an existing service;
- (ix) Technical design or operating platform, which results in non-routine changes to the underlying technological framework for payment, clearing, or settlement functions; or
- (x) Governance.

(3) A change to rules, procedures, or operations that does not meet the conditions of paragraph (c)(2) of this section and would not materially affect the nature or level of risks presented includes, but is not limited to the following:

- (i) A routine technology systems upgrade;
- (ii) A change in a fee, price, or other charge for services provided by the designated financial market utility;
- (iii) A change related solely to the administration of the designated financial market utility or related to the routine, daily administration, direction, and control of employees; or
- (iv) A clerical change and other non-substantive revisions to rules, procedures, or other documentation.

[77 FR 45919, Aug. 2, 2012. Redesignated at 79 FR 65562, Nov. 5, 2014]

§ 234.5 Access to Federal Reserve Bank accounts and services.

(a) This section applies to any designated financial market utility for which the Board may authorize a Federal Reserve Bank to open an account or provide services in accordance with section 806(a) of the Dodd-Frank Act. Upon receipt of Board authorization and subject to any limitations, restrictions, or other requirements established by the Board, a Federal Reserve Bank may enter into agreements governing the details of its accounts and services with a designated financial market utility, consistent with this section and any other applicable Board direction. The agreements may in-

clude, among other things, provisions regarding documentation to establish the account and receive services, conditions imposed on the account and services, service charges, reporting, accounting for activity in the account, liability and duty of care, and termination.

(b) A Federal Reserve Bank should ensure that its establishment and maintenance of an account for or provision of services to a designated financial market utility does not create undue credit, settlement, or other risk to the Reserve Bank. In order to establish and maintain an account with a Federal Reserve Bank or receive financial services from a Federal Reserve Bank, the designated financial market utility must be in compliance with the Supervisory Agency's regulatory and supervisory requirements regarding financial resources, liquidity, participant default management, and other aspects of risk management, as determined by the Supervisory Agency. In addition, at a minimum, the designated financial market utility must, in the Federal Reserve Bank's judgment—

(1) Be in generally sound financial condition, including maintenance of sufficient working capital and cash flow to permit the designated financial market utility to continue as a going concern and to meet its current and projected operating expenses under a range of scenarios;

(2) Be in compliance with Board orders and policies, Federal Reserve Bank account agreements and, as applicable, operating circulars, and other applicable Federal Reserve requirements regarding the establishment and maintenance of an account at a Federal Reserve Bank and the receipt of financial services from a Federal Reserve Bank; and

(3) Have an ongoing ability, including during periods of market stress or a participant default, to meet all of its obligations under its agreement for a Federal Reserve Bank account and services, including by maintaining—

(i) Sufficient liquid resources to meet its obligations under the account agreement;

(ii) The operational capacity to ensure that such liquid resources are

Federal Reserve System

§ 235.1

available to satisfy the account obligations on a timely basis in accordance with the account agreement; and

(iii) Sound money settlement processes designed to adequately monitor its Federal Reserve Bank account on an intraday basis, process money transfers through its account in an orderly manner, and complete final money settlement no later than the value date.

(c) The Board will consult with the Supervisory Agency of a designated financial market utility prior to authorizing a Federal Reserve Bank to open an account, and periodically thereafter, to ascertain the views of the Supervisory Agency regarding the designated financial market utility's compliance with the requirements in paragraph (b) of this section.

(d) In addition to any right that a Reserve Bank has to limit or terminate an account or the use of a service pursuant to its account agreement, the Board may direct the Federal Reserve Bank to impose limits, restrictions, or other conditions on the availability or use of a Federal Reserve Bank account or service by a designated financial market utility, including directing the Reserve Bank to terminate the use of a particular service or to close the account. If the Reserve Bank determines that a designated financial market utility no longer complies with one or more of the minimum conditions in subsection (b), the Reserve Bank will consult with the Board regarding continued maintenance of the account and provision of services.

[78 FR 76979, Dec. 20, 2013. Redesignated and amended at 79 FR 65562, Nov. 5, 2014]

§ 234.6 Interest on balances.

(a) A Federal Reserve Bank may pay interest on balances maintained by a designated financial market utility at the Federal Reserve Bank in accordance with this section and under such other terms and conditions as the Board may prescribe.

(b) Interest on balances paid under this section shall be at the rate paid on balances maintained by depository institutions or another rate determined by the Board from time to time, not to exceed the general level of short-term interest rates.

(c) For purposes of this section, “short-term interest rates” shall have the same meaning as the meaning provided for that term in § 204.10(b)(3) of this chapter.

[78 FR 76979, Dec. 20, 2013. Redesignated at 79 FR 65562, Nov. 5, 2014]

PART 235—DEBIT CARD INTERCHANGE FEES AND ROUTING

Sec.

235.1 Authority and purpose.

235.2 Definitions.

235.3 Reasonable and proportional interchange fees.

235.4 Fraud-prevention adjustment.

235.5 Exemptions.

235.6 Prohibition on circumvention, evasion, or net compensation.

235.7 Limitation on payment card restrictions.

235.8 Reporting requirements and record retention.

235.9 Administrative enforcement.

235.10 Effective and compliance dates.

APPENDIX A TO PART 235—OFFICIAL BOARD
COMMENTARY ON REGULATION II

AUTHORITY: 15 U.S.C. 1693o-2.

SOURCE: 76 FR 43466, July 20, 2011, unless otherwise noted.

§ 235.1 Authority and purpose.

(a) *Authority.* This part is issued by the Board of Governors of the Federal Reserve System (Board) under section 920 of the Electronic Fund Transfer Act (EFTA) (15 U.S.C. 1693o-2, as added by section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010)).

(b) *Purpose.* This part implements the provisions of section 920 of the EFTA, including standards for reasonable and proportional interchange transaction fees for electronic debit transactions, standards for receiving a fraud-prevention adjustment to interchange transaction fees, exemptions from the interchange transaction fee limitations, prohibitions on evasion and circumvention, prohibitions on payment card network exclusivity arrangements and routing restrictions for debit card transactions, and reporting requirements for debit card issuers and payment card networks.